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NO SURFACE OCCUPANCY OIL AND GAS LEASE

THIS LEASE, is made and entered this 14TH day of December 2010, by and between Karl E. and Nancy J. Schmidt (MARRIED), 1250 Sanders Ave. SW, Massillon, Ohio 44647, hereinafter called Lessor, and M & M ROYALTY, LTD., 5377 Lauby Road NW, Suite 202, North Canton, Ohio 44720, hereinafter called Lessee. Lessor and Lessee agree to the following obligations, covenants, conditions and warranties:

1. **GRANT.** Lessor, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and the covenants and agreements herein contained, grants to Lessee the exclusive right to extract oil and natural gas underlying the lands described below, including the right to extract such oil and gas from a well or wells on other lands by virtue of pooling or unitizing Lessor's lands or any strata thereof, with such other lands ("the drilling unit"). No drilling unit to which Lessor's lands are committed shall exceed Fifty (50) acres in size.
2. **PRIMARY TERM.** This lease is for a primary term of three (3) years, and shall remain in force as long thereafter as oil and gas operations are being conducted on the drilling unit, or oil or natural gas is being produced in paying quantities from the drilling unit.
3. **DESCRIPTION OF PREMISES.** This lease covers all of the oil and gas lying below Lessor's land described as Lot(s) 14123, City of Massillon, Stark County, Ohio, containing 1.00 acres, more or less. Being known as Tax Parcel #: 06-15708, (herein "lands" or "surface lands").
4. **HYDROCARBONS LEASED.** This lease covers only oil, natural gas and all other hydrocarbons or substances associated with or derived therefrom, whether elements, mixtures or compounds in liquid, gaseous or vaporous forms or states.

5. **RELEASE.** Lessee shall within thirty (30) days of the surrender or termination of the lease, prepare and record a Release of Lease as to the lands or formations, as applicable, and provide Lessor with a copy of the recorded document within ten (10) business days.
6. **NO SURFACE OCCUPANCY.** (a) No well shall be drilled on Lessor's surface lands. Lessee shall not enter upon the surface of the leased property. Lessee forfeits any and all rights of ingress and egress, or other implied or statutory rights of access, upon the surface of the leased property. Lessee shall not install or construct any device, structure, tank, separator, meter station, or other facility, or conduct any oil and gas operations of any nature whatsoever on the surface of the leased property.

(b) The Lease is granted for the sole purpose of permitting Lessee to pool or unitize the leased property with other lands. The other lands in the drilling unit shall bear all of the burden of development. Lessor acknowledges that, pursuant to slant or directional drilling methods, a wellbore originating from a surface location elsewhere on the drilling unit may pass through or terminate below the surface of the Lessor's property, and grants its consent thereto pursuant to this Lease.
7. **ASSIGNMENT.** Lessee may at any time assign this Lease in whole or part to successors and assigns. Lessee shall within 15 days of any assignment of this Lease notify Lessor of such assignment and furnish Lessor a true and correct copy of such assignment.
8. **TITLE.** Lessor makes no representations as to its right, title or interest in the lands subject to this lease, but does warrant title and does agree to defend title to said lands. Lessor shall cure and cooperate in curing title defects and defending title.
9. **ROYALTY.** (a) Lessee covenants and agrees to market and sell the oil and natural gas produced from the Lessor's lands, and to pay to Lessor, or Lessor's designee, as royalty the wellhead price received for one-eighth (12.5%) of all oil, measured in barrels, and natural gas, measured in MMBtu, produced, and sold from the premises, including crude oil, condensate, natural gas liquids, and all other hydrocarbon substances.

(b) Lessee shall commence paying royalties to Lessor within sixty (60) days after the first sale of crude oil from the drilling unit, and within ninety (90) days after natural gas is first sold from the drilling unit, and shall continue to promptly pay all royalties no later than sixty (60) days past the last day of the month in which oil and natural gas production from the drilling unit is sold thereafter.

(c) Royalty payments must be accompanied by a statement of an authorized agent of the Lessee showing the gross amount and disposition of all oil and natural gas produced from the

drilling unit, and sales price thereof, and any withholding or deduction for property, severance or production taxes, which taxes shall also be paid by Lessee, on a pro rata basis, on behalf of the account of Lessor.

(d) Lessee agrees to provide Lessor, and its authorized agents, no more frequently than annually, access to Lessee's books, records, and accounts, at reasonable times and places, including meter calibration records, and production reports mad to the ODNR-Mineral Resources Management Division and to state and local tax authorities that provided information that related to the volumes, and sales prices of oil and natural gas produced from the drilling unit for the previous two year period.

10. **DELAY RENTAL.** If, after a well is drilled, there is no production from the drilling unit for six (6) consecutive months, or if the production equipment is removed from the well, or the well is declared temporarily abandoned by the ODNR-Mineral Resources Management Division, Lessor shall be paid Five Hundred Dollars (\$500.00) per year production is re-established, or until the well is plugged and abandoned according to law.
11. **BINDING EFFECT OF LEASE.** This lease shall be binding on all heirs, successors and assigns of Lessor and Lessee. If the leased land is hereinafter owned in separate tracts, the premises, nevertheless, shall be treated as an entirety, and all payments due shall be paid proportionally (on an acreage basis) to each separate owner, and if Lessor owns less than the entire fee simple estate, Lessor shall be paid only its proportional share of any royalty or delay rental payment due.
12. **CHANGE OF OWNERSHIP.** Lessor shall provide written notice to Lessee of any change of ownership in the leased premises. Rentals or royalties hereunder shall be payable by Lessee to any new owner of the lands after delivery to Lessee of written notice signed by both parties along with a copy of the recorded instrument of conveyance or assignment of the Lessor's interest in this Lease. An owner of the lands or surface may, from time to time, notify Lessee in writing of the name, address, and tax reporting information of such Lessor's designee for payment of the royalty payments due under this lease and all royalty payments shall be made by Lessee to such designee until Lessee receives notice otherwise from Lessor and/or Lessor and a new owner of the lands.
13. **COMPLIANCE WITH LAW.** Lessee represents and warrants that it will conduct its oil and gas operations in compliance with all federal, state, and local laws, rules, regulations and orders promulgated pursuant thereto: including but not limited to those relating to the environment.
14. **DOMESTIC GAS USE.** There shall be no free domestic gas use rights under this Lease.



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15. **CONSTRUCTION.** This lease shall be construed under the laws, and solely in the courts, of the State of Ohio, without regard to conflict of laws principles. Captions used herein shall be given no consideration, as they are included for convenience only. No consideration shall be given to the fact or presumption that one party had a greater or lesser hand in drafting this instrument.
16. **NOTICE OF BREACH.** In the event Lessor considers that Lessee has not complied with any of its obligations hereunder, either express or implied, Lessor shall notify Lessee, in writing, setting out specifically in what respects Lessee has breached this contract. Lessee shall have thirty (30) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on said lease for any cause, and no such action shall be brought until the lapse of thirty (30) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any part of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all of its obligations hereunder.
17. **NO IMPLIED COVENANTS.** No implied covenants, obligations, or agreements shall be read into this Agreement or imposed upon either party.
18. **NOTICE.** If at any time after the execution of this lease, it shall become necessary or convenient for one of the parties to serve any notice, demand or communication upon the other party, such notice, demand or communication shall be in writing signed by the party serving notice, sent by nationally recognized overnight carrier or registered or certified United States mail, return receipt requested and postage or other charges prepaid. Any such notice shall be addressed as set forth below or to such other address as either party may have furnished to the other in writing as a place for the service of notice. Any notice so sent shall be deemed to have been given as of the time it is received by the recipient.

Lessee:

M & M Royalty, Ltd.
5377 Lauby Road N.W.
Suite 202
North Canton, Ohio 44720

Lessor:

Karl E. and Nancy J. Schmidt
1250 Sanders Ave. SW
Massillon, Ohio 44647

Signature of Lessor:

By:

Karl E. Schmidt

By:

Nancy J. Schmidt



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Signature of Lessee:

M & M Royalty, Ltd.

By:

Title:

STATE OF OHIO)
COUNTY OF STARK)

On this 14 day of DECEMBER 2010, before me personally came KACKE. & NANCY J. SCHMIDT to me personally known who, being duly sworn, did depose and say that he/she resides in MASSILLON, OHIO, that he/she is the OWNERS of 1280 SANDY AVE SW, ~~the corporation~~ described in and which executed the within instrument, that he/she knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he/she signed his/her name thereto by like order.

My Commission Expires:



GENE CARD
Notary Public, State of Ohio
My Commission Expires 06-02-2014

Notary Public

STATE OF OHIO)
COUNTY OF _____)

On this _____ day of _____ 2010, before me personally came _____ to me personally known who, being duly sworn, did depose and say that he/she resides in _____, that he/she is the _____ of _____, the corporation described in and which executed the within instrument, that he/she knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he/she signed his/her name thereto by like order.

My Commission Expires:

Notary Public

This Instrument Prepared By: M & M Royalty, Ltd., 5377 Lauby Rd. N.W., Ste. 202, North Canton, OH 44720


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